Testimony by
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Farm Credit Administration Public Meeting on
Enhancing Farm Credit System Service to
Young, Beginning, and Small Farmers and Ranchers
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Good Morning, my name is Donnie Winters and I am CEO of FCS of Mid-America, an ACA which serves Ohio, Indiana, Kentucky and Tennessee. We currently have $6.8 billion in loans outstanding to over 60,000 customers.

We are proud of our record of service to young, beginning, and small (YBS) farmers. 26% of our loans are to young farmers, 28% are to beginning farmers, and 68% are to small farmers. Nearly 3 out of 4 of our customers fall into one of these groups. These levels of service exceed that of our overall market penetration. In 2001 alone, we loaned $1.3 billion to YBS farmers. Clearly we are serving these key customer groups well.

We also support YBS farmers through a variety of other initiatives. Each year we contribute in excess of a quarter of a million dollars to a variety of programs supporting farm youth and young farmers. In addition over the last 3 years we have worked with Purdue University to provide young farm couples a 4-week intensive course on farm and financial management at no cost to them. We are now converting these courses to study materials that we are contributing to 16 Land Grant Universities for their use in their extension programs. We have invested in excess of $700,000 in this initiative.

As I said earlier, we are proud of our service to YBS farmers. The numbers I have shared show that this pride is justified. As I visit with my peers from around the system, I consistently hear similar stories of service. I truly believe that any objective review of the facts would conclude that the System is doing an outstanding job in this area.

With this as background, I would like to make three keys points:

The first is that neither the lending to the market nor the programs of support that I mentioned above grew out of legislative or regulatory direction. They grew out of a commitment to serve our marketplace. This commitment comes from the fact that we are owned and controlled by farmer customers. There is no split allegiance between serving our customers and making profits for our stockholders that other lenders must address. Our total motivation is to serve our customers. And since we are limited by charter to serving primarily farmers, we have every incentive to serve all market segments aggressively. Had there been no regulatory mandate, we would still have served YBS farmers. Additional regulations won't likely impact that commitment to service one way or the other.

My second point has to do with the fact that some critics of the system use the fact that we have significantly increased our share of the larger, full-time farmer market as evidence that we have deserted YBS farmers. The numbers that I and others have shared clearly negate that claim. But it does make a point that needs to be noted. Our growth in business to larger farmers is driven by the fact that as the investment required to make a living from farming has increased, other lenders have not grown either their capacity or their commitment to serve these farmers' increased credit needs.

The outcome of this is that in many markets today, we are the only lenders willing to serve farmers who must depend on the profitability of their farm to service their debts. It's not surprising then that our share of the market with this group of critically important agricultural producers has increased. That is our mandate as a GSE created to serve just such needs. But in no way has this limited either our capacity or commitment to serve YBS farmers.

My third and final point addresses the specific issue of the need for additional regulations. An objective review of the numbers strongly challenges the need for any further directive to serve the YBS market. We are serving it in an outstanding way today. Further program or reporting requirements will just create additional burden and cost which will ultimately be passed along to the very people we are striving to serve. I strongly encourage you to not take such counterproductive actions.

I do believe that there are a couple of areas where current regulations could be eliminated which would even further improve our service to these markets. The first is the regulation that limits the system's ability to serve part-time farmers. By necessity most YBS farmers start out as part-time farmers and many remain in that status for their full career. Farm Credit statutes place no restriction on our ability to serve the full credit needs of this group, but regulations do. I would encourage you to remove those restrictions.

The second area that could possibly enhance the system's service to YBS farmers is to remove the territorial restrictions that regulations, but again not statute, place on the system. If these restrictions were removed and an association was not doing a good job of serving the YBS market, a neighboring association could fill that need. Just the threat of that happening would likely provide sufficient incentive for all to do a good job. Also some of the programs that we and others use to serve YBS farmers, such as working with integrators in the poultry industry, are limited in their value when we are unable to offer them to all of their customers due to territorial restrictions.

In summary, the system is doing an outstanding job today of serving YBS farmers. This is driven by our customer/owner focus, not regulatory mandate. No new program or reporting requirements are needed and would only be counterproductive due to the time and cost involved. But the agency could further our ability to serve, by removing current regulatory restrictions.

Thank you for allowing me this opportunity to be heard on this very important issue.